

Message Text

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ACTION EA-13

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INFO AMEMBASSY JAKARTA

C O N F I D E N T I A L TOKYO 6679

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E.O. 11652: GDS

TAGS: ENRG, EFIN, JA

SUBJECT: INDONESIAN LNG

REF: JAKARTA 6176

SUMMARY: ACCORDING TO OFFICIAL OF PERTAMINA-AFFILIATED COMPANY IN TOKYO, HEAD OF JAPANESE CONSORTIUM AND IBNU SUTOWO CONCLUDED CREDIT AGREEMENT MAY 17 PROVIDING FOR EXTENSION OF \$900 MILLION TO FINANCE INDONESIAN LNG PROJECT. MUCH OF EQUIPMENT EXPECTED TO COME FROM U.S. ACCORDING OFFICIAL, JAPANESE HAVE SENT LETTER OF INTENT EXPRESSING READINESS TO PURCHASE AND FINANCE EXPORT TO JAPAN OF ADDITIONAL QUANTITIES OF GAS THAT MIGHT BE AVAILABLE IF PACIFIC LIGHTING-PERTAMINA CONTRACT FALLS THROUGH. END SUMMARY.

1. S. SARWONO, VICE PRESIDENT OF PERTAMINA-AFFILIATED FAR EAST OIL TRADING COMPNY, CONTACTED EMBASSY MAY 21 TO INFORM US OF OUTCOME OF CREDIT NEGOTIATIONS WITH JAPAN ON INDONESIAN LNG PROJECT. SARWONO SAID THAT HE HAD BEEN DISCUSSING CREDIT ARRANGEMENT WITH JAPANESE OVER PAST MONTH. NEGOTIATIONS HAD GONE SMOOTHLY, AND CONFIDENTIAL

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IBNU SUTOWO HAD ARRIVED IN JAPAN MAY 12 TO WRAP UP

TALKS. ON MORNING OF MAY 17, FINAL CREDIT AGREEMENT FOR PROJECT WAS SIGNED BY SUTOWO AND HEAD OF JAPANESE CONSORTIUM.

2. SARWONO SAID JAPANESE CONSORTIUM HAD AGREED TO EXTEND \$900 MILLION IN FINANCING. 80 PERCENT FUNDS WILL COME FROM JAPAN EXIM-BANK, WITH THE REMAINDER FROM PRIVATE BANKS, AT A COMBINED RATE OF 6.5 PERCENT. SARWONO NOTED THAT \$200 MILLION GOVERNMENT-TO-GOVERNMENT CREDIT FOR PROJECT HAD BEEN AGREED EARLIER, BRINGING TOTAL OF JAPANESE CREDITS TO \$1.1 BILLION.

3. SARWONO NOTED THAT \$900 MILLION CREDIT WAS UNTIED AND THAT LARGE PART OF FUNDS WOULD BE USED FOR PURCHASE OF NECESSARY EQUIPMENT IN THE U.S. OR FROM FOREIGN FIRMS UTILIZING U.S. LICENSES. ADDED THAT BECHTEL CORP. NOW WORKING VERY HARD TO COORDINATE PURCHASES.

4. EMBOFF INQUIRED ABOUT STATUS OF PERTAMINA-PACIFIC LIGHTING (PL) NEGOTIATIONS. SARWONO SAID THEY WERE GOING QTE VERY BADLY UNQTE. IN FACT, HE ADDED, JAPANESE CONSORTIUM HAD SENT LETTER OF INTENT EXPRESSING WILLINGNESS TO PURCHASE ANY ADDITIONAL QUANTITIES OF GAS THAT MIGHT BE AVAILABLE. CONSORTIUM HAD ALSO EXPRESSED WILLINGNESS TO FINANCE ANY ADDITIONAL PROCESSING FACILITIES NECESSARY, BUT SARWONO SAID THERE WAS SOME DOUBT WHETHER JAPAN EXIMBANK WOULD TAKE PART IN ADDITIONAL FINANCING; IF NOT, INTEREST RATE COULD BE VERY HIGH. (JAPAN EXIMBANK OFFICIAL CONFIRMED TO EMBASSY THAT IT UNLIKELY THAT BANK WOULD AGREE TO EXTEND FURTHER CREDITS IF PL DEAL FEEL THROUGH). ACCORDING SARWONO, TOKYO ELECTRIC CORP. WOULD BE CONSUMER FOR ANY ADDITIONAL QUANTITIES OBTAINED OVER 7.5 MILLION TONS ALREADY CONTRACTED BY JAPAN. SARWONO MADE NO MENTION OF PL VICE PRESIDENT PROCTOR'S RECENT TRIP TO JAPAN.

5. INDUSTRIAL BANK OF JAPAN OFFICIALS CONFIRMED CREDIT AGREEMENT HAD BEEN CONCLUDED ON MAY 17.

6. COMMENT: IT APPEARS FROM TOKYO VANTAGE POINT THAT
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INDONESIAN INTEREST IN OBTAINING U.S. EXIMBANK FINANCING EXPLAINED BY FACT THAT WHILE JAPANESE PREPARED TO FINANCE PORTION WHICH OTHERWISE WOULD BE FINANCED BY U.S. EXIM, JAPANESE INTEREST RATE WOULD BE CONSIDERABLY HIGHER BECAUSE OF APPARENT UNWILLINGNESS OF JAPAN EXIM TO EXTEND FURTHER CREDITS.
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